

RECONVERSION OF INDUSTRY

Exchange of notes at Ottawa May 7 and 15, 1945
Entered into force May 15, 1945

61 Stat. 3958; Treaties and Other
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*The American Ambassador to the Acting Secretary of State
for External Affairs*

EMBASSY OF THE
UNITED STATES OF AMERICA
Ottawa, May 7, 1945

No. 320

SIR:

Under the Hyde Park Declaration of April 20, 1941,¹ measures were taken to make the most prompt and effective utilization of the productive facilities of the United States and Canada for wartime purposes. As the period of reconversion approaches, the Government of the United States has given consideration to the continuance of cooperative measures. It believes that these measures apply as a matter of course to the Pacific War and it has noted that the Declaration itself contains no termination date, specific or implied. Accordingly, under the instructions of my Government, I have the honor to propose that the general principles of the Hyde Park Declaration be continued on a fully reciprocal basis for the remainder of the war and that the same spirit of cooperation between the two countries should characterize their treatment of reconversion and other problems of mutual concern as the transition to peacetime economy progresses.

Consequent upon the degree of integration resulting from our wartime measures of cooperation in the economic field, numerous specific problems will arise from time to time. One such problem to which urgent attention is being given is the reconversion of industry to the maximum extent compatible with vigorous prosecution of the war against Japan. The problem is particularly urgent from the viewpoint of the United States because the Hyde Park Declaration was implemented in large part by the equal application to Canada of domestic procedures in respect of priorities and allocations.

It is evident that during this initial phase of reconversion, priorities administered by the respective control agencies of the two governments are of the

¹ *Ante*, p. 216.

utmost importance to industries seeking to prepare for normal trading conditions. In response to informal inquiries received from Canadian officials in Washington and on condition of reciprocity, particularly where Canada is a principal supplier of materials needed for reconversion and civilian production, the Government of the United States would be prepared to implement the following principles as regards requirements which Canadian industry may desire to fulfill in this country for reconversion purposes:

1. The application of the priorities powers towards Canadian requirements should be as closely parallel to the application of the same powers toward domestic requirements as is practicable.

2. Canada should, in general, be given priorities assistance only of a character and to an extent parallel to priorities assistance given similar requirements in the United States, including any machinery needed for immediate reconversion. To the extent, however, that components could be obtained by Canada without benefit of priorities assistance, no objection could be made to more rapid reconversion activities in Canada.

3. Assistance should be given to Canadian companies through their priorities officer to grant automatic AA-4 priorities and firm CMP allotments to manufacturing concerns producing less than \$50,000 of product per quarter, similar to such assistance granted domestic small firms. Similarly, the rating privileges of Pri. Reg. 24 and L-41, as they may be amended, should be available to Canadian applicants.

4. It is recognized that complete parallelism of revocation and relaxation of orders between the United States and Canada is not possible because of the differences in the situations in the two nations. However, an effort should be made, in conjunction with the Canadian authorities, to reach the greatest parallelism possible. If it should become necessary for Canada to relax their orders more rapidly than the United States, in no case should priorities assistance be given to a Canadian manufacturer to make civilian goods which are prohibited in this country by War Production Board order.

While the problem of reconversion of industry is the first of the problems which my Government believes it mutually desirable to consider under the principles of the Hyde Park Declaration, other problems will shortly arise. The Canadian Ambassador's note, no. 156, of April 30 to the Secretary of State regarding the disposal of surplus war-like stores arising from orders placed by either government in the other country may, when the dimensions of the subject become more clearly defined, provide an instance in which my Government will seek the favorable consideration of your Government under the Hyde Park principles. Other questions will inevitably arise in connection with the relaxation of wartime controls affecting trade, such as the War Exchange Tax and procedures applicable to exports to the other American republics.

In his statement on the initial period of reconstruction presented to Parliament by the Minister of Reconstruction last month, the Minister referred to the great wartime increase in the output and exchange of goods which was dependent on close collaboration among the Governments of the British Commonwealth and of the United States. He stated that postwar collaboration along equally bold and imaginative lines was essential in the interest of expanded world trade. At Washington on March 13, 1945, a similar statement was made by Prime Minister King and by the late President Roosevelt² in regard to the problems of international economic and trading policy.

In view of the high degree of economic interdependence of the Canadian and American economies, the Government of the United States desires to assure the Government of Canada that it will consider and deal with the problems of the transition from war to peace in the spirit of the Hyde Park Declaration which gave rise to such successful cooperation for war purposes. My Government would greatly appreciate a similar assurance on the part of the Canadian Government, together with an expression of its views on the principles which the United States Government would be willing to apply in the initial problem of the reconversion of industry.

Accept, Sir, the renewed assurances of my highest consideration.

RAY ATHERTON

The Right Honorable
THE ACTING SECRETARY OF STATE
FOR EXTERNAL AFFAIRS,
Ottawa.

*The Acting Secretary of State for External Affairs to the American
Ambassador*

DEPARTMENT OF
EXTERNAL AFFAIRS
CANADA

No. 48

OTTAWA, May 15, 1945

EXCELLENCY:

The Government of Canada welcomes the assurance of the Government of the United States, contained in your note No. 320 of May 7th, that it will consider and deal with the problems of the transition from war to peace in the spirit of the Hyde Park Declaration which gave rise to such successful co-operation for war purposes.

The Canadian Government agrees that post-war collaboration along bold and imaginative lines is essential in the interests of expanded world trade.

² *Department of State Bulletin*, Mar. 18, 1945, p. 434.

The Government of Canada on its part desires to assure the Government of the United States that the same spirit of co-operation, which was manifested in the Hyde Park Declaration, will characterize the Canadian Government's consideration and treatment of the problems of the period of transition which are of mutual concern.

The principles which the Government of the United States would be willing to apply on condition of reciprocity in the initial problem of the reconversion of industry are acceptable to the Canadian Government. The Canadian Government believes indeed that the principles proposed will minimize for both Governments the difficulties of reconversion.

The Canadian Government assumes that "the condition of reciprocity" implies a continued adherence to the principle of reciprocity followed throughout the war when both Governments have made allowance for the difference in the conditions existing and in the methods of control adopted in the two countries.

Accept, Excellency, the renewed assurances of my highest consideration.

BROOKE CLAXTON
*Acting Secretary of State
for External Affairs*

His Excellency

The Honourable RAY ATHERTON,
*Ambassador of the United States of America,
United States Embassy,
Ottawa.*